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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 01/26/06

Index:

- 1) Top headlines
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- 4) ASDF jets scramble when Russian plane intrudes into Japanese airspace
- 5) JDA chief Nukaga allocates 60.9 billion yen for SDF activities in Iraq
- 6) JDA chief favors melding JDA and Defense Facilities Administration Agency
- 7) New Komeito lays down three conditions for accepting elevation of JDA to ministry status
- 8) Prime Minister Koizumi sees no need at this point for special measures law to force Okinawa to accept Futenma relocation plan
- 9) JDA deputy bureau chief responsible for USFJ realignment talks was suddenly transferred due to clash with top official
- 10) LDP's Yamasaki visits new Nago City mayor in Okinawa to discuss Futenma relocation plan

- 11) US, Japan discuss North Korean money laundering
- 12) Prime Minister Koizumi unhappy with USDA Penn's remark about catching BSE much less likely than having auto accident
- 13) Government sending inspection team to US to inspect and approve plants qualified to export beef
- 14) Minshuto (Democratic Party of Japan) wants legislation requiring country-of-origin labeling on beef
- 15) Minshuto teams with communist and socialist parties to hit Koizumi government on beef and other issues
- 16) Opposition camp in the Diet blasts ruling parties on beef, Livedoor incident, and fake earthquake-data scandal
- 17) Vindictive battle between LDP, Minshuto over Livedoor stock scam incident
- 18) Yomiuri poll shows for first time in Koizumi years at helm those optimistic about Japan's economy now outweigh those who are pessimistic
- 19) LDP plans to set economic targets as means of ending deflation

#### Articles:

##### 1) TOP HEADLINES

#### Asahi:

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Livedoor cooked books using profits of subsidiaries, falsely stating they are not subject to consolidated accounting

#### Mainichi:

Horie ordered double window-dressing scheme

#### Yomiuri:

Lawyer serving as Livedoor's auditor recommended window-dressing accounting as legal

#### Nihon Keizai:

Sony, Samsung to start talks on plan to jointly build liquid crystal panel plant for 300 billion yen

#### Sankei:

Former Livedoor director Miyauchi admits violating Securities Law with aim of raising share price

#### Tokyo Shimbun:

In Livedoor scam, suspect Okamoto sent email noting: "There is no way illegal transactions will be discovered"

##### 2) EDITORIALS

#### Asahi:

- (1) NHK reform plan lacks vision
- (2) Not-guilty ruling in murder of infant: Introduction of lay judge system urged

#### Mainichi:

- (1) Livedoor scam: Securities-market watchdog must be upgraded
- (2) US force realignment in Japan: Take Nago citizens' will seriously

#### Yomiuri:

- (1) Internal Affairs Minister Takenaka starting out reforming local tax-allocation system
- (2) More drastic measures necessary for NHK reform

#### Nihon Keizai:

- (1) Postal services must be truly privatized

Sankei:

- (1) NHK should present plan to further streamline business
- (2) Government urged to work out measures to reduce disasters from earthquake in northern districts

Tokyo Shimbun:

- (1) Taxation on single-member company: Tax distortions must be rectified
- (2) Further investigation into cause necessary one month after JR accident

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, January 25

NIHON KEIZAI (Page 2) (Full)  
January 26, 2006

08:53

Met Deputy Chief Cabinet Secretary Suzuki at Kantei.

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10:01

Attended an Upper House plenary session.

11:36

Arrived at Kantei.

13:01

Attended the Upper House plenary session.

16:30

Met Secretary General Takebe, Chief Cabinet Secretary Abe, and Defense Agency Director General Nukaga, joined by METI Minister Nikai.

16:51

Attended a Lower House Budget Committee meeting.

17:04

Met Upper House Caucus Chairman Aoki, and Upper House Caucus Secretary General Katayama.

SIPDIS

17:20

Attended an Upper House Budget Committee meeting.

17:36

Arrived at Kantei.

18:02

Visited the postal privatization promotion headquarters. Later met New Komeito Diet Affairs Committee Chairman Higashi. Followed by Comprehensive Science and Technology Council member Chuzo Kishimoto, with Cabinet Office Director General Maruyama present.

19:33

Returned to his official residence.

4) Russian plane violates Japan's airspace, 6 ASDF fighter jets scramble

MAINICHI (Page 27) (Full)  
January 26, 2006

An airplane, believed to be Russian, violated Japan's territorial airspace over the sea about 30 kilometers northwest of Wakkanai, Hokkaido, at around 7 p.m. yesterday. The aircraft repeatedly violated the airspace seven times during the 26 minutes from 7:07 p.m. to 7:33. The Air Self-Defense Force scrambled six fighter jets from its Chitose base.

According to the Defense Agency, the aircraft was possibly a transport of the Russian Federal Security Service Border Guard and was chasing a ship that violated Russia's law. The Chitose base radioed a warning to the aircraft against its airspace incursion. However, there was no response from the aircraft. The aircraft flew away into the northern sky when the ASDF fighters scrambled. The Foreign Ministry asked the Russian Foreign Ministry through the Russian embassy in Japan to prevent a recurrence.

5) Nukaga says 60.9 billion yen disbursed for SDF activities in

Iraq

TOKYO SHIMBUN (Page 2) (Full)  
January 26, 2006

In a plenary session of the House of Councillors yesterday afternoon, Defense Agency Director General Fukushima Nukaga revealed that approximately 60.9 billion yen was disbursed from state coffers to finance Self-Defense Forces (SDF) activities in Iraq through the end of last September since the first rotation in December 2003.

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The Ground Self-Defense Force used about 51.4 billion yen for medical services, water supply, and reconstruction of public facilities. The Air Self-Defense Force spent approximately 8.9 billion yen for transporting materials in humanitarian and reconstruction assistance, while the Maritime Self-Defense Force used about 500 million yen for transporting equipment for GSDF troops.

6) Nukaga positive about consolidating Defense Agency, Defense Facilities Administration Agency

MAINICHI (Page 2) (Excerpt)  
January 26, 2006

Defense Agency Director General Fukushima Nukaga indicated in a House of Councillors plenary sitting yesterday that he would positively consider consolidating the Defense Agency and the Defense Facilities Administration Agency into one in connection with the issue of raising the Defense Agency to the status of a ministry. "Facilities administration relating to US military bases in Japan and USFJ realignment are one," Nukaga said, adding: "I think the proposed idea of consolidating the Defense Agency and the Defense Facilities Administration Agency is also important, and we will have to review the two agencies." Nukaga was replying to a question asked by New Komeito Vice President Shozo Kusakawa, who proposed integrating the Defense Agency and the DFAA.

7) New Komeito presents three conditions for upgrading Defense Agency to ministry status; May be difficult to reach internal consensus

YOMIURI (Page 4) (Excerpts)  
January 26, 2006

In a question-and-answer session yesterday in the House of Councillors, Shozo Kusakawa, a vice representative of the New Komeito, made a set of specific proposals, including a realignment of the Defense Agency and the Defense Facilities Administration Agency (DFAA), as conditions for the upgrading of the Defense Agency to the status of a ministry. Defense Agency Director General Fukushima Nukaga took a forward-looking stance toward the New Komeito's proposals. Some Liberal Democratic Party (LDP) members expressed hope that junior coalition partner New Komeito, which has had trouble reaching a consensus, has now taken a step forward agreeing to create a Defense Ministry.

Kusakawa presented three conditions: (1) a merger of the Defense Agency and DFAA, (2) a revision of the Law on the Establishment of the Security Council of Japan, which states that the dispatch of Self-Defense Forces troops abroad is an issue of the council, and (3) clarification of the positioning of a "defense council" made up of senior Defense Agency officials.

New Komeito leader Takenori Kanzaki, referring to Kusakawa's proposals, stopped short of saying at a press conference yesterday: "When thinking of showing a clear idea to the public, creating a large-scale change by integrating the agency and DFAA is needed."

The LDP and New Komeito have agreed to cooperate each other in

submitting to the ongoing Diet session a bill on the transition of the Defense Agency to a ministry. The New Komeito executives, including Kanzaki and Secretary General Tetsuzo Fuyushiba, have taken a positive stance about passing the bill during the current session since this issue was mentioned in an agreement reached in 2002 by the LDP, New Komeito, and the now-defunct New Conservative Party.

However, since many in the religious sect Soka Gakai, which is the support body of the New Komeito, have opposed the idea, the party has yet to reach a consensus on the issue, although it expected to do so before the end of last year. The government and the LDP still remain unable to provide clear reasons why the agency should be upgraded to a ministry.

8) Gov't not considering special measures law for Futenma relocation: Koizumi

ASAHI (Page 4) (Full)  
January 26, 2006

The government is not considering passing a special measures law under the current circumstances to transfer the powers of a governor to the state over the issue of relocating the US military's Futenma airfield in Ginowan, Okinawa Prefecture, to Cape Henoko in Nago in the prefecture, Prime Minister Koizumi said in a plenary session of the House of Councillors yesterday. Futenma relocation is a focus in the planned realignment of US forces in Japan. Koizumi was replying to a question asked by Social Democratic Party President Fukushima.

The Japanese and US governments agreed in October last year to relocate the heliport functions of Futenma airfield to Cape Henoko. However, Okinawa Gov. Keiichi Inamine rejected the Cape Henoko plan. Some in the ruling Liberal Democratic Party have therefore suggested the necessity of looking into the possibility of enacting a special measures law intended to transfer the governor's authority to the government over land reclamation from the sea.

Koizumi said the ministers concerned and other government officials have visited Okinawa and gave sincere explanations about the Futenma relocation and its future. With this, the premier stressed his intention to ask for local understanding.

9) Defense Policy Bureau deputy chief replaced due to confrontation with agency top officials on USFJ realignment

YOMIURI (Page 4) (Full)  
January 26, 2006

The Defense Agency informally decided to transfer on Jan. 30 Defense Policy Bureau Deputy Director General Chisato Yamauchi, who has been in charge of negotiations on the issue of realigning US forces in Japan with the US government, to the National Defense Medical College to serve as a vice president. The agency will appoint press spokesperson Hironori Kanazawa to be the successor to Yamauchi.

At the same time, the agency intends to pick Naha Regional Defense Facilities Administration Bureau Director General Masanori Nishi to be deputy director general of the Technical

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Research and Development Institute (TRDI), naming Tsutomu Sato, a facilities investigation officer, to be Nishi's replacement.

Prior to the completion of a final report on the USFJ realignment at the end of March, the agency has taken the unusual personnel changes of two officials responsible for negotiations with the US and coordination with US base-hosting communities.

It is believed that Yamauchi and Nishi have been at odds with top

agency officials behind closed doors over the plan to relocate the US Marine Corps' Futenma Air Station in Okinawa to the coast of Camp Schwab (Nago City). Therefore, they seem to have been dismissed in effect.

Although Sato, who will be named director general of the Naha Defense Facilities Administration Bureau, is a non-career officer, his long service in Okinawa has been well appreciated.

10) Taku Yamasaki, Yoshikazu Shimabukuro agree on need to energetically engage in talks for a final report

ASAHI (Page 4) (Full)  
January 26, 2006

The Liberal Democratic Party's Okinawa Promotion Committee Chairperson Taku Yamasaki yesterday visited Nago City in Okinawa Prefecture and met with Yoshikazu Shimabukuro, newly-elected mayor in the Jan. 22 election. They agreed on the need for energetic talks before March, the deadline for Japan and the United States to produce a final report on the relocation of the US Futenma Air station. Shimabukuro reiterated his opposition to the Henoko relocation plan, noting, "The current plan cannot win local community understanding."

Yamasaki promised Shimabukuro to continue the regional economic promotion policy. Shimabukuro told Yamasaki that he would travel to Tokyo after assuming the post of mayor on Feb. 8 and meet with concerned officials of the government and the ruling parties.

11) Japan, US hold talks on North Korea's financial crimes

SANKEI (Page 5) (Full)  
January 26, 2006

Akitaka Saiki, now minister-counselor in the US and former Asian and Oceanian Affairs bureau deputy director general, met with visiting US Deputy Assistant Secretary of the Treasury Glaser (in charge of terrorists' funds and financial crimes) at the Foreign Ministry yesterday. The two officers agreed that the two governments would closely cooperate in dealing with financial crimes by North Korea, such as counterfeiting and money laundering. Last September, the US announced that a financial institution of Macau has been deeply involved in the illegal acts by Pyongyang. North Korea, in strong reaction, has refused to return to the six-party talks on its nuclear development programs.

12) US beef imports: Prime Minister expresses his displeasure with US undersecretary of agriculture's remark: "The chance of being hit by a car is greater than ...."

ASAHI (Page 11) (Full)

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January 26, 2006

Following the second ban of US beef imports by Japan, US Undersecretary of Agriculture J.B. Penn, referring to the potential danger of being harmed by eating beef infected with BSE, noted that there was a higher probability of being hit by a car. Prime Minister Koizumi expressed his displeasure with this remark to reporters: "That was not a very good expression. The rules agreed on between Japan and the US must be observed." He made this comment at the Prime Minister's Official Residence.

13) US beef imports to be restricted to products inspected by Japan; Government to dispatch experts

ASAHI (Page 11) (Full)  
January 26, 2006

As a condition for lifting the second ban on US beef imports, the government yesterday decided to authorize only those imports of meat products packed at facilities inspected by Japanese experts. The move is in response to the growing distrust in the US safety

control system, triggered by the inclusion of spinal columns, materials that are required to be removed, as they tend to accumulate high-risk BSE materials, in a US beef shipment to Japan.

The ban can be lifted on the condition that the US submits a report on measures to prevent a recurrence. Tokyo intends to ask Washington to include in the package of such measures mandatory inspections by Japanese experts.

Under the bilateral agreement, based on which US beef imports resumed last December, beef from facilities authorized by the US government can be exported to Japan without inspection by the Japanese side. However, the Japanese government has dispatched animal quarantine and food sanitation experts to the US. Up until now, they have inspected 11 of the roughly 40 facilities that are authorized to export products to Japan to see whether they observed export conditions. They planned to inspect all facilities by the end of March.

The shipment in which spinal columns were found was from a meatpacker that Japanese inspectors have not yet inspected. As such, a storm of criticism erupted from both the ruling and opposition camps and consumer organizations, with many saying that it makes no sense to authorize imports from facilities where Japanese inspectors have yet to confirm safety. For this reason, the government has decided to make it a condition for Japanese experts to carry out inspections and not to leave safety control at meatpackers in the hands of the US government.

14) DPJ eyes introduction of bill obligating labels for beef-processed products

NIHON KEIZAI (Page 2) (Full)  
January 26, 2006

The Democratic Party of Japan (Minshuto = DPJ) yesterday decided to introduce to the current Diet session a bill obligating retailers to attach labels of origin and inspection certificates to beef-processed products. The legislation grants the Ministry of Agriculture, Forestry and Fisheries the right to carry out an

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on-the-spot inspection and penalize offenders. The DPJ submitted to the special Diet session last year a bill obligating retailers to attach labels of origin of beef products. This bill has been carried over to the current session. The newly planned bill covers beef-processed products as well, such as cooked meat. Following the second ban on US beef imports, the DPJ has judged that it would be necessary to provide more information on beef products to consumers.

15) Opposition parties to join hands in pursuing ruling camp over three themes, including beef, Livedoor scam

SANKEI (Page 5) (Full)  
January 26, 2006

In a meeting of their Diet Affairs Committee chairmen held in the Diet building yesterday, three opposition parties - Minshuto (Democratic Party of Japan), the Japanese Communist Party (JCP), and the Social Democratic Party (SDP) - agreed to jointly pursue the responsibility of the government and the ruling parties over the Livedoor scam, the architectural standards issue, and the discovery of backbones in a shipment of US beef. The meeting was held at the proposal of Minshuto. A specific approach will be discussed at director-level meetings of various committees.

16) 2006 Diet debate: Government's scenario for "administrative reform-focused Diet" now derailing, meeting with attacks over three issues - Livedoor, earthquake-resistance data falsification, US beef; Prime Minister trying to quiet them down

TOKYO SHIMBUN (Page 2) (Full)  
January 26, 2006

By Kei Sato

The three-day question-and-answer sessions of both Diet chambers ended yesterday. With the ruling and opposition parties both making mention of the arrests of Livedoor Co. executives, US beef imports, and earthquake-resistance data falsification, Prime Minister Koizumi was pressed hard to explain his position about them. Though the set of issues are pure and simple "scandalous" incidents, indeed, they at the same time appear to be shedding light on the dark side of the prime minister's structural reform line. The government and the ruling camp intended to use the current Diet session as the one focusing on administrative reform, but this scenario is already derailing.

Takafumi Horie, former president of Livedoor, was arrested on Jan. 23, the day when the first round of Diet questioning. Owing to this development, the prime minister came under heavy attack at the outset of the session.

The opposition parties pursued the prime minister's moral responsibility as president of the Liberal Democratic Party (LDP), zeroing in on the party's backing of suspect Horie in last year's Lower House election. Koizumi was desperately trying to quiet them down, noting, "They are two separate matters." But with New Komeito Representative Takenori Kanzaki's question about preventive measures to Koizumi, the ruling parties exposed their discord over the incident.

On the US beef imports issue, responding to a succession of the

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opposition parties' criticisms of the government decision made last December on the resumption of US beef imports, the prime minister was forced to read from a script saying that, based on a report by the Food Safety Commission, the government decided on the resumption of beef imports.

As to whether to summon former National Land Agency Director-General Kosuke Ito - an LDP member - to the Diet as a witness over the earthquake-resistance data falsification case, the prime minister initially had taken this as someone else's problem, noting, "I would like to see a full discussion of it in the Diet." But in the interpellations yesterday at the Upper House plenary session, Koizumi slight adjusted his reply, giving an impression that he has become flexible about the summons. But from this, his irritation could be felt.

The set of the three issues are dealing a blow to the Koizumi reform effort. The opposition parties attribute the incidents to the Koizumi reforms. Opposition Minshuto (Democratic Party of Japan) President Seiichi Maehara grilled Koizumi severely: "LDP-led politics has thrown aside even the responsibilities the public sector should bear."

Even some in the ruling parties expressed concerns over the widening of economic disparity in society, though they did not directly refer to the set of three issues. The dark side of the Koizumi reforms is becoming into the overall issue in the current Diet session. This situation could be a major headache for Koizumi.

The ruling and opposition camps will today shift the battlefield to the Lower House Budget Committee. Getting the momentum, the opposition parties will be certain to intensify their attack. Asked by reporters late yesterday about the Diet questioning, Koizumi said, as if to make himself seen as still being tough: "I wonder if (the opposition parties) have misunderstood or given a twist to the reforms. I would like to have thorough debate."

-- Parties' positions expressed in interpellations over the Livedoor case

LDP

No reference

Minshuto

The LDP backed (suspect Takafumi Horie) more energetically than



official candidates in the Lower House election. By using someone like this candidate, the LDP won a large number of seats. This is equivalent to window-dressing (President Seiji Maehara).

New Komeito

It is an extremely vicious and serious case. We need to prepare legislation to prevent illegal acts in the current Diet session (Representative Takenori Kanzaki).

Japanese Communist Party

The prime minister's policy line of viewing deregulation as an all-purpose tool has set the stage for this case (Chairman Kazuo Shii)

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Social Democratic Party

The LDP bears moral responsibility (for touting suspect Horie) in the Lower House election (Chairperson Mizuho Fukushima).

17) LDP, Minshuto engage in verbal battle over Livedoor scandal

YOMIURI (Page 4) (Full)  
January 26, 2006

The ruling Liberal Democratic Party (LDP) and the main opposition party Minshuto (Democratic Party of Japan) continued also yesterday a verbal battle over the LDP's relationship with former Livedoor Co. President Takafumi Horie, who has been arrested on suspicion of violating the securities law. Mutual criticism alone is now heating up, without discussing the social trend and ethics issue.

LDP Secretary General Tsutomu Takebe, in a meeting yesterday of the secretary general and deputy secretaries general, sated:

"When a Diet session begins and the political situation changes, criticism is concentrated on the party leadership and some are watching for a chance. Since the party presidential race will take place, a power struggle has now begun secretly."

He expressed unhappiness with criticism of him from the LDP. He stressed, however, his antagonistic stance toward criticism from the opposition camp, saying, "Attack is the best form of defense."

Meanwhile, referring to Takebe's remarks that former Minshuto head Okada approached to Horie, Minshuto Diet Affairs Committee Chairman Yoshihiko Noda strongly reacted at a press conference yesterday, "He met Horie because he was asked. (Takebe's) perception that (Okada) approached to (Horie) is wrong." Okada sent a protest note to Takebe. Takebe then replied yesterday: "I believe that a meeting planned to field (Horie) in the election is called an approach."

In a meeting of the House of Representatives Steering Committee, the fact that Minshuto President Seiji Maehara called the relations between the LDP and suspect Horie as "window-dressing" was taken up.

The LDP submitted to the committee a disciplinary motion, but Minshuto spurned it, arguing, "The submission of a disciplinary motion is nothing but suppressing freedom of speech." The standoff between the two parties has become serious.

It is true that both parties once praised Horie. Some senior members in the LDP House of Councillors, however, are concerned about the future course of heated verbal sparring.

18) Poll: "Improving" tops "worsening" regarding economy one year later

The proportion of those expecting the nation's economy to be

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better in a year topped that of those expecting it to be worse, the Yomiuri Shimbun found from its face-to-face nationwide public opinion survey conducted Jan. 21-22. It is the first time that optimistic views have outnumbered pessimistic ones since the Koizumi cabinet came into office in 2001. The government deems the nation's economy to be in a phase of moderate recovery. Asked about this government view, more than 70 PERCENT answered that they "don't actually feel that way." However, the general public seems to be recovering an optimistic outlook regarding the nation's economy against the backdrop of improved corporate earnings and high stock prices.

In the latest survey, 23 PERCENT expected the economy to improve in a year, with 15 PERCENT saying it will worsen. The upbeat figure was 8 percentage points higher than the downbeat figure.

In a previous survey conducted in November 2001, "improve" accounted for 8 PERCENT, with "worsen" at 36 PERCENT. In the following four surveys conducted through November 2004 under the Koizumi cabinet, the pessimistic figure was consistently higher than the optimistic figure. This time, however, the two figures changed places.

The government stresses a moderate economic recovery in its economic outlook. However, a total of 74 PERCENT do not actually feel that the nation's economy is recovering, while a total of 24 PERCENT do feel so. However, there is a large perception gap according to annual income. Among those with an annual income of over 10 million yen, 44 PERCENT answered that they actually feel economic recovery. Among those with an annual income of less than 2 million yen, however, the corresponding percentage was 14 PERCENT. The percentage of those actually feeling economic recovery rose in proportion to annual incomes.

In the case of households with a total annual income of less than 2 million yen, 20 PERCENT answered that the nation's economy would worsen in a year, with 16 PERCENT expecting it to improve. As seen from these figures, the poll showed a disparity according to annual gaps.

19) Anti-deflation measures: LDP to set targets for nominal growth rate, price rise rate in April

NIHON KEIZAI (Page 2) (Full)  
January 26, 2006

The Fiscal Reform Study Group (chaired by Policy Affairs Research Council Chairman Hidenao Nakagawa) of the Liberal Democratic Party (LDP) yesterday held a meeting of its project team to overcome deflation and promote economic growth (PT). The meeting decided to issue a set of proposals in mid-April, which will include numerical targets for, for instance, a nominal growth rate, a price rise rate and a long-term interest rate. The package will be incorporated in the basic policy guidelines (on economic and fiscal management and structural reforms) for the fiscal 2006 national budget, the basic guidelines for economic and fiscal management, which the government's Council on Economic and Fiscal Policy will compile in June.

Nakagawa stressed the need for the Japanese economy to emerge from deflation at an early date, pointing out: "The agenda is

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where to set a target for a future nominal growth rate and how to share a benchmark in price rises as a policy target."

